

DIRECT TESTIMONY OF

ROSE M. JACKSON

ON BEHALF OF

DOMINION ENERGY SOUTH CAROLINA, INC.

DOCKET NO. 2020-2-E

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Rose M. Jackson, and my business address is 220 Operation Way, Cayce, South Carolina.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT POSITION?

A. I am employed by Dominion Energy Southeast Services, Inc. ("DES Services") as General Manager – Supply & Asset Management.

Q. PLEASE DESCRIBE YOUR DUTIES RELATED TO NATURAL GAS PROCUREMENT FOR ELECTRIC GENERATION IN YOUR CURRENT POSITION.

A. During the review period of January 1, 2019, through December 31, 2019 ("Review Period"), I am responsible for managing the department that provides natural gas procurement services for the generating facilities operated by Dominion Energy South Carolina, Inc. ("DESC"). These responsibilities include procurement of natural gas supply and capacity; nominations and scheduling; gas accounting;

1 and state and federal regulatory issues related to supply, capacity, and asset
2 management.

3
4 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND BUSINESS**
5 **BACKGROUND.**

6 A. I graduated from the University of South Carolina in 1988 with a Bachelor
7 of Science degree in Accounting. Following graduation, I worked for approximately
8 three years as an accountant for a national security services firm. In 1992, I began
9 my employment with SCANA Corporation ("SCANA") as an accountant working
10 directly for SCANA Energy Marketing, Inc. Over the years, I have held varying
11 positions of increasing responsibility including Energy Services Coordinator, where
12 I was responsible for scheduling gas for the Atlanta Gas Light System; project
13 manager for the implementation of an automated gas management system; and
14 Manager of Operations. In May 2002, I became Manager of Operations and Gas
15 Accounting with SCANA Services, now DES Services, where I was responsible for
16 gas scheduling on interstate pipelines and gas accounting for all SCANA
17 subsidiaries. In November 2003, I became Fuels Planning Manager where I assisted
18 all SCANA subsidiaries with strategic planning and special projects associated with
19 natural gas. I held this position until promoted to my current position in December
20 2005.

1 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?**

2 A. Yes, I have testified before this Commission on several occasions.

3
4 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
5 **PROCEEDING?**

6 A. The purpose of my direct testimony is to provide information about the
7 natural gas purchasing process for DESC generation and to discuss natural gas
8 prices for the Review Period, and outlook for natural gas prices in the near term.

9
10 **I. NATURAL GAS PURCHASING**

11 **Q. PLEASE DESCRIBE HOW YOUR DEPARTMENT MAKES NATURAL**
12 **GAS PURCHASING DECISIONS.**

13 A. Natural gas purchases made by the Gas Supply Department (“Department”)
14 are driven by the needs of the electric generation group. My Department provides
15 DESC’s Economic Resource Commitment Group (“ERC”) with current market
16 information that they use in resource commitment modeling for the Company’s
17 electric generation plants. ERC requests natural gas price quotes and market
18 information from my Department daily. ERC uses current natural gas prices as one
19 input into its dispatch modeling to determine the most economical means of reliably
20 meeting the electricity needs of customers.

21 Actual natural gas purchasing decisions are driven by the unit commitment
22 decisions made by ERC. After ERC determines that natural gas is the economical

1 choice for providing reliable power to our customers, my Department is directed to
2 purchase natural gas supplies for delivery with a stated term and volume at the best
3 available current market prices at that time.

4
5 **Q. PLEASE DESCRIBE YOUR NATURAL GAS CONTRACTS.**

6 A. We have industry standard contracts with more than 60 suppliers that have
7 proven to be creditworthy and reliable. These contracts set forth many of the terms
8 and conditions of delivery. Price and quantity, however, are determined at the time
9 of purchase.

10 The most common prices quoted for daily natural gas deliveries are the day-
11 ahead gas price. The Gas Daily Average or GDA, for example, is an average of
12 these day-ahead prices, reported on a historical basis the next business day.

13 The day-ahead natural gas market, however, closes at mid-day of the day
14 before the natural gas is delivered. Because some unit commitment decisions may
15 not be made until the following morning, GDA prices are not available for all supply
16 purchases for electric generation. In these situations, the natural gas we purchase
17 for electric generation is made in the intraday market. In summary, natural gas
18 purchases for electric generation are short-term in nature when compared to other
19 fuel purchases due to the fungible nature of natural gas and the liquidity of the
20 natural gas market.

1 **Q. WHAT TOOLS DO YOU USE TO INFORM YOUR NATURAL GAS**
2 **PURCHASING DECISIONS?**

3 A. The most important tools used to inform our purchasing decisions are my
4 Department's collective experience in national natural gas markets, careful
5 observation and evaluation of movements in market-based prices, and continual
6 surveys of our suppliers for pricing information. These tools are by far the most
7 important and most accurate in helping to determine market-based prices for natural
8 gas supplies being purchased on the "spot market."

9 Another tool we use to inform our purchasing decisions is the
10 Intercontinental Exchange ("ICE"), which is a real time electronic trading board.
11 The shortcoming of the ICE service as with other pricing services is that not all
12 trades are reflected in these services. Nevertheless, ICE is one of the most widely
13 used sources of pricing information and provides a reliable indication of current
14 market prices.

15 My Department also uses the New York Mercantile Exchange ("NYMEX")
16 pricing data as a guide to determine whether to purchase natural gas on a monthly
17 or seasonal basis. NYMEX is a financial market which captures real-time trading
18 data and information about the projected price of natural gas and other commodities
19 for various times in the future.
20

1 **Q. WHAT NATURAL GAS TRANSPORTATION CAPACITY DOES DESC**
2 **HAVE FOR THE GENERATING FACILITIES OPERATED BY DESC?**

3 A. DESC has long-term capacity contracts with the following interstate
4 pipelines for firm transportation service: 111,050 dekatherms (“Dt”) per day on
5 Southern Natural Gas Company (“SNG”), 221,900 Dt per day on Dominion Energy
6 Carolina Gas Transmission (“DECGT”), 40,000 Dt per day on Transcontinental Gas
7 Pipeline, LLC (“Transco”), and 61,500 Dt per day with Elba Express Company,
8 LLC (“Elba Express”). DESC’s Commission-approved contract with SCANA
9 Energy Marketing, Inc. for firm natural gas supply up to 120,000 Dt per day expired
10 in April 2019 and was replaced with an additional 60,000 Dt per day on SNG
11 through a permanent capacity release at the pipeline’s maximum recourse rate along
12 with the 61,500 Dt per day of Elba Express as stated above.

13
14 **Q. DOES DESC ANTICIPATE ANY CHANGES TO THE NATURAL GAS**
15 **TRANSPORTATION CAPACITY AVAILABLE FOR ITS GENERATING**
16 **FACILITIES?**

17 A. Yes. Effective November 1, 2020, DESC will have 18,498 DT per day less
18 on DECGT available for its generating facilities. DESC previously contracted with
19 DECGT for 18,498 Dt per day of firm transportation for a 15-year term commencing
20 on December 1, 2015, with the electric generation group and the local distribution
21 company (“LDC”) each having first call over portions of the 15-year term. The
22 electric generation group has first call on the capacity from the beginning of the

1 term until November 1, 2020, and the LDC will have first call on the capacity from
2 November 1, 2020, until the term ends on November 30, 2030. Should the LDC
3 not need the capacity on a given day, the electric generation group will have a right
4 of first refusal for use of the capacity.

5
6 **Q. HAS THE COMPANY SUBSCRIBED TO ANY ADDITIONAL**
7 **INTERSTATE PIPELINE CAPACITY FOR NATURAL GAS FIRED**
8 **GENERATION?**

9 A. The Company has also entered into a Precedent Agreement with Transco for
10 an additional 125,000 Dt per day of its Southeastern Trail Project (“SET”) capacity.
11 The Company subscribed to this capacity to help meet the daily demands of the
12 recent acquisition of the Columbia Energy Center. The anticipated in-service date
13 for the SET capacity is the first quarter of 2021. DESC has also entered into an
14 agreement subscribing to 62,500 Dt per day of capacity for electric generation on
15 the Mountain Valley Pipeline project. This capacity will provide DESC access to
16 the Marcellus natural gas basin which will feed into the SET capacity. The
17 Company entered into a firm transportation agreement for an additional 1,900 Dt
18 per day of capacity with DECGT commencing on November 1, 2019, at the current
19 recourse rate. This capacity is for natural gas facility improvements at the
20 Company’s Williams Generation Station. In lieu of an upfront Contribution in Aid
21 of Construction payment, the Company opted to contract for capacity with a term
22 of three years.

1 The Company entered into these agreements prior to the closing of the
2 merger of SCANA Corporation and Dominion Energy, Inc. (“Dominion Energy”).
3 The Company continues to review its generation needs on an ongoing basis to
4 determine whether it requires additional natural gas transportation capacity to serve
5 natural gas fired generation facilities. Future contracts for additional natural gas
6 transportation capacity will be subject to the requirements set forth in Commission
7 Order 2018-804 and the Settlement Agreement among Dominion Energy, DESC,
8 and Transco, dated October 24, 2018, in Docket No. 2017-370-E.
9

10 **Q. PLEASE DESCRIBE NATURAL GAS PRICES DURING THE CURRENT**
11 **PERIOD UNDER REVIEW.**

12 A. Prices in the NYMEX natural gas commodity market began the Review
13 Period at \$2.92 per Dt. Colder than normal temperatures in mid-January pushed
14 prices as high as \$3.72 before a return to normal to below normal temperatures led
15 to prices retreating below \$3.00 before month’s end. Over the remainder of the
16 year, the \$2.90 area proved to be the limit on the high end with the market
17 challenging that area on several occasions in the spring, only to retreat to lower
18 levels each time. Over the summer, ample supply led to robust national storage
19 refill and lower prices, with the market reaching the low for the year of
20 approximately \$2.03 in early August. Cool weather in early November fueled a
21 rally back to the \$2.90 area, only to have the market retreat once again as the lack
22 of sustained cold weighed on the market, finishing the year in the \$2.20 area.

1 Attached hereto as Exhibit No. __ (RMJ-1) is a graph of the NYMEX daily settle
2 prices for 2019.

3 During the Review Period, DESC purchased approximately 95,000,000 Dt
4 of natural gas for electric generation at a total cost of approximately \$238,000,000
5 and at an approximate average price of \$2.49 per Dt.

6 The current price forecast for the remainder of 2020 suggests natural gas
7 prices are likely to average below \$2.50 per Dt as the winter period comes to a
8 close. However, short-term price volatility can result from changes in either supply
9 or demand. The fundamental factors of such changes may include, but are not
10 limited to, weather, increases in customer demand, changes in supplies from shale
11 production, changes in storage inventory levels, and/or constraints in pipeline
12 capacity. Energy analysts forecast the commodity price for natural gas to remain
13 below \$4.00 per Dt over the next three to five years.

14
15 **Q. WHAT REQUEST DOES DESC MAKE OF THE COMMISSION IN THIS**
16 **PROCEEDING?**

17 A. During the Review Period, the Department made diligent and prudent efforts
18 to obtain reasonable market-based prices for the reliable supply of natural gas for
19 electric generation and to procure the necessary capacity for the delivery of that
20 supply. Therefore, on behalf of DESC, I respectfully request that the Commission
21 find that the Company's fuel purchasing practices were reasonable and prudent for
22 the Review Period.

1 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

2 **A. Yes.**

Exhibit No. __ (RMJ-1)

2019 NYMEX Daily Settle Prices

